

**MEMORANDUM OF UNDERSTANDING
BETWEEN
PRINCE GEORGE'S COUNTY, MARYLAND
AND
STATE OF MARYLAND**

This Memorandum of Understanding dated this 20th day of February, 2004, by and among Prince George's County, Maryland, a body corporate and politic, (hereinafter the "County"), and the State of Maryland (hereinafter "State"); collectively referred to as the "Parties."

WHEREAS, the County and State desire to formulate a Financial Action Plan designed to support and enhance the medical services provided by Prince George's Hospital Center ("PGHC"), Laurel Regional Hospital ("LRH") and other health care facilities managed by Dimensions Healthcare System, Inc. ("Dimensions") on behalf of the County and its citizens; and

WHEREAS, pursuant to the Financial Action Plan, Prince George's County and the State will take immediate steps to support the economic stabilization of certain health care facilities operated by Dimensions through a variety of financial mechanisms; and

WHEREAS, the Maryland Health Services Cost Review Commission ("HSCRC"), an independent unit of the Maryland Department of Health and Mental Hygiene ("DHMH"), has approved a short term rate order for the benefit of Dimensions' facilities; and

WHEREAS, the Parties are desirous of obtaining an independent and professional assessment concerning Dimensions' oversight of its constituent health care facilities; and

WHEREAS, on the basis of this independent assessment, the County and the State will formulate a Recovery and Restructuring Plan the implementation of which will begin over the next twelve months in accordance with the terms of this Memorandum of Understanding; and

WHEREAS, it is critical that Dimensions work cooperatively with the County and the State to support, implement and adhere to the Financial Action Plan and the Recovery/Restructuring Plan; and

WHEREAS, immediate implementation of this Financial Action Plan and the subsequent development of a Recovery/Restructuring Plan will significantly improve the health care system's overall financial condition and thereby help avoid the issuance of adverse financial audit reports; and

WHEREAS, these Plans will provide short-term management assistance for Dimensions-operated facilities and allow the development of a longer-term restructuring plan building on the existing strengths of the health care system and the State's public policy infrastructure.

NOW, THEREFORE, in consideration of the mutual promises of the Parties herein and other good and valuable consideration, the Parties hereto stipulate and agree as follows:

I. Oversight Committee Formation and Responsibilities

1. The County and the State shall establish a five voting member Oversight Committee which shall provide ongoing advice and consultation regarding the development and implementation of the Financial Action Plan and the Recovery/Restructuring Plan. Three members will be appointed by the County Executive and one by the Secretary of Health and Mental Hygiene. The Governor shall appoint the fifth member who shall serve as the Chairperson for the Oversight Committee. The HSCRC Chairman shall serve as an ex officio non-voting member of the Oversight Committee.

2. The Oversight Committee shall monitor ongoing operations at Dimensions and its constituent facilities. It shall periodically review and evaluate recommendations submitted by the management consultant and advise the County and State regarding the implementation of the

Financial Action Plan and Recovery/Restructuring Plan.

3. The Oversight Committee shall assess a range of options that would allow the County and State to support the long-term financial needs of the County's health care system and suggest strategies for meeting re-capitalization goals.

4. If jointly requested by the County and State during the term of this Memorandum of Understanding, the Oversight Committee shall review proposed legislative initiatives.

5. The Oversight Committee shall provide ongoing advice and consultation to the Dimensions Board of Directors and senior hospital management during the term of this Memorandum of Understanding

6. Unless otherwise agreed to by the County and DHMH, the Oversight Committee shall continue in existence until such time as it presents its Preliminary Recovery/Restructuring Plan to the Parties in accordance with Section V of this Memorandum of Understanding.

II. Management Consultant

1. In accordance with Section V and subject to any applicable procurement rules, Dimensions will retain an independent hospital "turn-around" or management consultant who will advise the County, State and Oversight Committee on appropriate short and long-term approaches to managing and financing the County's health care delivery system. Dimensions shall engage the identified management consultant at its expense for an amount not to exceed Two Million Dollars (\$2,000,000). The management consultant retained by Dimensions shall be first approved by a majority vote of the Oversight Committee.

2. The County Executive shall identify a liaison who will work with the management consultant, Oversight Committee, and Dimensions' management in furtherance of the objectives of

this Memorandum of Understanding.

3. Subject to and in accordance with any contract or engagement letter issued by Dimensions, the management consultant shall:

(a) Review any relevant pre-existing assessments of Dimensions' operations;

(b) Gather and evaluate any information and data needed to assess the financial status and operational efficiency of Dimensions Healthcare System, Inc. and any of its constituent facilities or enterprises; and

(c) Present ongoing recommendations designed to stabilize and improve the financial condition of all Dimensions operations.

4. In accordance with a schedule established by the County and State, the management consultant shall present the Oversight Committee with a Preliminary Recovery/Restructuring Plan that:

(a) Contains appropriate changes in the mission, vision, and organizational structure of Dimensions, including potential sale or merger of system assets and revisions to the health care system's current management and/or operations; and

(b) Proposes long term re-capitalization and financing plans for the County's health care system.

III. Scope of Oversight Committee Responsibilities

1. The Oversight Committee shall monitor ongoing operations at Dimensions and its constituent facilities. It shall periodically review and evaluate recommendations submitted by the management consultant and advise the County and State regarding the implementation of the Financial Action Plan and Recovery/Restructuring Plan.

2. The Oversight Committee shall assess a range of options that would allow the County and State to support the long-term financial needs of the County's health care system and suggest strategies for meeting re-capitalization goals.

3. The Oversight Committee shall provide ongoing advice and consultation to the Dimensions Board of Directors and senior hospital management during the term of this Memorandum of Understanding. It is the Parties' expectation that Dimensions will fully and faithfully implement any recommendations presented by the Oversight Committee in an expeditious fashion unless the Dimensions Board of Directors presents a formal notice of disagreement to the County Executive, Secretary of DHMH and Oversight Committee. Such notice shall identify the specific recommendation presented by the Oversight Committee and a full explanation of the reasons for Dimensions' non-compliance. In accordance with Section VIII, the State or County may take such action as is necessary to respond to any issues of non-compliance that occur during the term of this Memorandum of Understanding.

IV. Dimensions Health Care System Responsibilities

1. As a condition precedent to the adoption and implementation of this Memorandum of Understanding, the Dimensions Board of Directors has agreed to the terms and conditions set forth herein.

2. Dimensions and its staff shall provide their full and complete cooperation to the County, State, Oversight Committee, management consultant and County liaison referred to herein, and other authorized individuals involved in the implementation of this Memorandum of Understanding.

V. Implementation of Management Consultant and Oversight Committee Activities

1. Members of the Oversight Committee shall be selected, and an organizational meeting shall be conducted on or before March 1, 2004.

2. In consultation with the County and State, the Oversight Committee shall define the role and responsibilities of the management consultant on or before April 1, 2004.

3. Dimensions staff, working in consultation with the Oversight Committee, shall prepare the necessary documents to solicit proposals for the engagement of a management consultant on or before May 1, 2004.

4. The Oversight Committee, in consultation with Dimensions, shall identify procedures for selecting a list of potential management consultant vendors or an alternative process for identifying potential candidates on or before May 1, 2004.

5. The Oversight Committee shall complete its selection process of a management consultant no later than June 1, 2004. Such process shall include, at a minimum, the receipt of a proposal and interview with the successful candidate.

6. Dimensions shall retain the successful management consultant by June 7, 2004.

7. The management consultant shall provide the Oversight Committee with interim reports on an as needed basis and shall submit a preliminary Recovery/Restructuring Plan to the Oversight Committee by September 1, 2004. The management consultant shall present a proposed Recovery/Restructuring Plan to the Oversight Committee by October 1, 2004

8. At the direction of the Oversight Committee, the management consultant shall prepare a confidential Final Recovery/Restructuring Plan and report to the County and State by November 1, 2004.

9. The County and State shall review the Plan and consider means of enhancing the

overall financial and operational performance of the health care system. The County and State, in consultation with the Oversight Committee, and others as needed, shall direct the redaction of any confidential or proprietary information before the preparation and release of the Final Recovery/Restructuring Plan.

10. The County and State shall issue the publicly available Final Recovery/Restructuring Plan and report to Dimensions, the Prince George's County Council, and members of the Hospital Advisory Committee of the Prince George's Delegation by December 1, 2004. As part of this report, the parties will also address the extent to which the Oversight Committee and/or the management consultant might continue to participate in the Recovery/Restructuring Plan.

11. The Parties by mutual consent may extend the timelines for any or all of the timeframes identified in Section V.

VI. Financial Action Plan

1. The County has committed and shall provide Ten Million Dollars (\$10,000,000) to Dimensions prior to June 30, 2004, subject to appropriations.

2. The Prince George's County Executive has pledged Five Million Dollars (\$5,000,000) annually to Dimensions for the four fiscal years following June 30, 2004, subject to annual appropriations. The first such installment shall be identified by the County Executive in his proposed budget for FY 2005.

3. The HSCRC has adopted and approved a rate adjustment and order to provide Dimensions' facilities a net of \$7.2 million in additional revenues for one year commencing February 13, 2004. Said amount is in addition to the rate adjustment of \$2.8 million which was set to expire on July 1, 2003, but has now been extended and continued by the HSCRC. Unless

otherwise extended by the HSCRC, both of these rate adjustments expire one year from the date of the HSCRC's February 13, 2004 rate order.

4. The Governor of the State of Maryland has pledged to support during the 2004 legislative session an appropriation of Five Million Dollars (\$5,000,000) in State bond funding for the benefit of Dimensions' capital needs. Following legislative approval of the bond bill, the Parties will take steps to make the appropriated funds available as soon as possible. The funds shall be provided to and administered by Prince George's County for the benefit of Dimensions. The County will present the State with the necessary grant proposal documentation needed in order to access the funds. Bond funds will be promptly provided to the County in accordance with the governing legislation and following the review process mandated by Maryland Board of Public Works procedures.

VII. Miscellaneous Provisions

On or before March 1, 2004, and as permitted by the procedures of the Workers Compensation Commission, the Secretary of DHMH shall request that the Commission not require additional cash deposits from Dimensions as security for Dimensions to serve as a self-insurer for workers compensation coverage.

VIII. Termination of the Memorandum of Understanding

1. Unless an extension is jointly agreed to in writing by the County and State, this Memorandum of Understanding shall terminate on October 1, 2006.

2. Both parties reserve the right to terminate this Memorandum of Understanding upon a determination that Dimensions is not acting in concert with the recommendations presented by the

Oversight Committee or has otherwise acted to impair the effectiveness of the Financial Action Plan or Recovery/Restructuring Plan.

IN WITNESS THEREOF, the Parties hereto have caused this Agreement to be executed at the place and on the day herein above written.

STATE OF MARYLAND

PRINCE GEORGE'S COUNTY, MARYLAND

BY: _____

Robert L. Ehrlich, Jr.
Governor

BY: _____

Jack B. Johnson
County Executive

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